



# SBA Information Notice

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**TO:** All SBA Employees and Community Advantage Lenders

**CONTROL NO.:** 5000-20033

**EFFECTIVE:** 6/19/20

**SUBJECT:** Changes to the Community Advantage Pilot Loan Program

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This notice announces changes to the Community Advantage (CA) Pilot Program that were published in the Federal Register and effective on March 2, 2020 ([85 FR 12369](#)). Those changes have been incorporated into an updated Community Advantage Participant Guide. The updated CA Participant Guide can be found on [SBA's website](#).

The changes to the CA Pilot Loan Program are as follows:

- 1) Modified the requirements to refinance non-SBA guaranteed, same institution debt;
- 2) Increased the number of CA loans a CA Lender must initially disburse prior to processing CA loan applications under delegated authority from seven to ten;
- 3) Provided guidance on the expiration and renewal of CA Lenders' Loan Guaranty Agreement (SBA Form 750CA); and
- 4) Provided notice of SBA's intent to allow a limited exception to the moratorium on accepting new CA Lender applications.

Except as described in the above Federal Register Notice, all other Loan Program Requirements and regulatory waivers or modifications related to the CA Pilot Program remain unchanged. The CA Pilot Program expires on September 30, 2022, unless extended or made permanent.

## Changes to the CA Pilot Loan Program

### 1) Non-SBA Guaranteed, Same Institution Debt Refinancing Requirements

SBA is modifying the restrictions on refinancing non-SBA guaranteed, same institution debt to permit the CA Lender to pay off certain interim loans with an SBA-guaranteed CA loan when beneficial to the small business applicant under certain circumstances.<sup>1</sup>

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<sup>1</sup> The extension of an interim loan by a CA Lender is made entirely at the CA Lender's risk. There is no assurance that an interim loan will be eligible to be refinanced with a CA loan.

In order to refinance its own interim, non-SBA guaranteed same institution loan with a CA loan, the CA Lender must comply with all of the following:

- i. The sole purpose of the interim loan must have been to refinance debt that was on onerous terms (e.g., the refinancing will improve the Applicant's cash flow by at least 15%), including necessary out-of-pocket costs.
- ii. The Annual Percentage Rate ("APR") on the interim loan must not exceed the maximum interest rate allowable under the CA Pilot Program.
- iii. The interim loan must not have been made more than 6 months prior to the submission in E-TRAN of the SBA-guaranteed CA loan application.
- iv. The CA Lender must provide a transcript showing the due dates and when payments were received for the entire term of the interim loan. If there are any late payments and/or late charges on the interim loan, the CA Lender must explain in its credit memorandum the late payments and late charges and substantiate how the CA Lender has determined that SBA will not be in a position to sustain a loss from refinancing the interim loan.
- v. The CA Lender may not charge any fees on the interim loan except for necessary out-of-pocket costs associated with closing the loan, such as filing or recording fees. There must be no prepayment penalty or other charge for prepayment of the interim loan.
- vi. The CA loan that refinances the interim loan must be submitted to SBA for non-delegated processing and may not be approved under a CA Lender's delegated authority.
- vii. The CA Lender must address in its credit memorandum how the original debt meets the requirements set forth in SOP 50 10 for debt refinancing (currently Subpart B, Chapter 2, Paragraph V.E.).

## 2) Delegated Authority

SBA is increasing the number of CA loans that must be initially disbursed before a CA Lender may receive approval to process applications under delegated authority. A CA Lender that is determined to be eligible for delegated authority may not process loans using its delegated authority until (i) it closes and makes an initial disbursement on at least ten non-delegated CA loans, and (ii) the Office of Credit Risk Management ("OCRM") determines, in consultation with the Loan Guaranty Processing Center, that it has satisfactory knowledge of SBA Loan Program Requirements

## 3) Loan Guaranty Agreement (SBA Form 750CA) Expiration and Renewal

On September 12, 2018, SBA extended the Community Advantage Pilot Program from March 31, 2020, to September 30, 2022 (see 83 FR 46237). Currently, most CA Lenders have a Loan Guaranty Agreement (SBA Form 750CA) that may have expired on March 31, 2020. OCRM conducted a review of each CA Lender prior to March 31, 2020. The review included, but was not limited to, an assessment of the CA Lender's compliance with SBA Loan Program

Requirements, including the requirement to make 60 percent of its loans to small businesses in the CA underserved markets, satisfactory SBA performance as determined by SBA in its discretion, and other risk-related criteria. Based on the results of a CA Lender's review, OCRM may: 1) renew the CA Lender's SBA Form 750CA until the expiration date of the pilot program (September 30, 2022); 2) renew the CA Lender's SBA Form 750CA for a shorter period; or 3) not renew the CA Lender's SBA Form 750CA beyond March 31, 2020. In the latter two cases, OCRM will provide an explanation for the shortened renewal or non-renewal, as appropriate.

#### 4) Limited Moratorium Exception

SBA will accept new applications from qualified eligible entities to replace CA Lenders that voluntarily withdraw from the program, are not renewed, or are otherwise removed from the pilot program. SBA will provide further information on this process when it knows the number of CA Lenders that will not be continuing in the pilot program. SBA is not increasing the total number of CA Lenders.

### **Additional Information**

For a detailed explanation of these revisions, please refer to the Community Advantage Federal Register Notice published on March 2, 2020 ([85 FR 12369](#)). All of the revisions have been incorporated into the revised CA Participant Guide. Questions concerning these changes may be directed to Dan Upham, Chief, Microenterprise Development Division, Office of Financial Assistance at (202) 205-7001 or email at [daniel.upham@sba.gov](mailto:daniel.upham@sba.gov).

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